

City of San Jose
Former San Jose Medical Center Site
Land Use – Health Care Study

Stakeholder Advisory Committee Meeting

200 East Santa Clara Street, Combined Rooms W118 and, W119
(San Jose City Hall, Council Wing)
Wednesday, April 18, 2007
6:00 – 8:00 p.m.

DRAFT MEETING NOTES

Committee Members Present: Bob Brownstein, George Chavez, Roz Dean, Dennis Hickey, Nancy Hickey, Les Levitt, Julia Ostrowski, Patti Phillips, Gary Schoennauer, Paula Velsey

Staff Present: Kip Harkness, Andrew Crabtree, Allen Tai, Sam Knutson

Consultants: Terry Bottomley and Dr. Henry Zaretsky

A. Welcome and Introduction

Kip Harkness requests a switch to the original agenda, prioritizing health care discussion over land use concepts. Roz Dean addressed her concerns with quality of tapes and thanked Planning staff for efforts in distributing the backlog of meeting notes.

B. Health Care Discussion

The representative from O'Connor Hospital was unable to attend to give a presentation to the Committee regarding both hospital data and regional healthcare needs. Dr. Henry Zaretsky proceeded to give his presentation on regional healthcare needs left by the closure of San José Medical Center (SJMC). He prefaced with the fact he also met with Roz Dean regarding healthcare consumer groups. Allen Tai gave him an updated count of physicians in the area, conducted by Planning staff, which serves as a good indicator of what has been going on since the closing. According to the numbers compiled by Planning staff, the count dropped from 124 to 71, though the numbers did not entirely differentiate between individual physicians and group offices, but represents a good illustration of the downward trend nonetheless. Gary Schoennauer asked for a write-up on health issues that the Committee is facing, which was completed and distributed to the Committee.

Dr. Henry Zaretsky's presentation outlined the five gaps in healthcare left by the closure of SJMC from lesser impacts to ones that have more pronounced effects on the

community. He highlighted the loss of the Level 2 Trauma Center to the Regional Medical Center of San José (RMCSJ) as the least bad of the “five gaps,” since there is still a level one at Santa Clara Valley Medical Center (SCVMC) which translates to two trauma centers within a 7.3 mile radius. The loss of general acute beds ranks slightly worse to the loss of the trauma center. During the final years of SJMC being open occupancy of these beds was just 33%, with a third of those being downtown residents.

George Chavez asked for clarification. Dr. Henry Zaretsky explained though the beds were lost, they were underutilized. Julia Ostrowski asked who typically occupied those beds. Dr. Henry Zaretsky said they only have the ZIP codes on the occupants though physical rehabilitation was a big market served by SJMC service. Though downtown could potentially face a bed shortage soon, O’Connor and SCVMC can serve as a stop gap measure in the near term. RMCSJ’s cancellation of the three Medi-Cal contracts hurts the area in the major way, especially for people underserved by insurance and recipients of Medi-Cal benefits. Roz Dean asked for clarification on who this affects. Dr. Henry Zaretsky stated that RMCSJ does not accept the Medi-Cal recipients, only fee for service members of the program and of course insured patients.

Les Levitt asked is this a unique case in the Bay Area for a hospital to cancel their contracts. Dr. Henry Zaretsky explained hospitals do drop their Medi-Cal contracts, though most urban hospitals do maintain them. Hospitals are in a better position to negotiate rates where there is a shortage of beds, though this is not a unique nor enviable position for a Medi-Cal consumer. In the end, most Medi-Cal recipients swamping SCVMC and O’Connor, with the expansion of RMCSJ services not serving as an adequate substitute to the closure of SJMC.

Dr. Henry Zaretsky continued to say the loss of emergency services at SJMC represents a greater loss than the loss of inpatient capacity. Downtown residents must travel farther and wait longer for emergency services at O’Connor, SCVMC, and RMCSJ, since the closure. Much of his information is based on anecdotal information, though he is still trying to collect more solid data on this topic. Gary Schoennauer suggested taking out emotional (anecdotal) opinions and placing hard data instead.

Dr. Henry Zaretsky said despite the lack of credible data on hand, there is definite potential for overcrowding at the region’s medical facilities. Bob Brownstein said that every other data set show that SCVMC and RMCSJ are experiencing heavy usage. Dr. Henry Zaretsky suggested that an urgent care center might be a viable alternative to a full hospital, serving many of the needs of the neighborhood surrounding the SJMC site. He stated that most minor issues can be treated or stabilized there. This facility could be opened with the caveat that it would not discriminate based payer source for treatments or referrals.

Filling of the need of non-urgent care outpatient capacity is also an important issue, stated Dr. Henry Zaretsky. The neighborhood and the larger area need a primary care facility that accepts patients regardless of payer source, which would require an initial capitol injection or endowment to fund. The greater value of a land sale at the SJMC site

could help with this subsidy. He suggested possibly placing this service at 25 N. 13th St, which is the facility owned by Committee member George Chavez.

The range of options highlighted by Dr. Zaretsky include,

- No hospital at the SJMC site, while facilitating development of clinics off site.
- No hospital could also allow the City of San Jose to exert maximum leverage in negotiating Medi-Cal reimbursement rates for the hospitals in the area.

Bob Brownstein questioned if these two options are mutually exclusive. Dr. Henry Zaretsky responded that though those two are not, the next was definitely exclusive. This option would establish a small primary care hospital downtown with an affiliation such as Stanford University. The risk behind this option is that the operator could vacate the space, leaving another vacant medical facility in its wake. RMCSJ does need a seismic upgrade to continue forward with its planned expansion and may abandoned its expansion plans if a competing small hospital facility were to open downtown. Dr Zaretsky recommended a satellite primary care facility, but not a full-scale hospital.

Roz Dean inquired why RMCSJ would be inclined to abandon its upgrade plan if a small hospital were to constructed and whether a downtown hospital would be competitive. Gary Schoennauer replied that its simple economics and today's market conditions at work; the region could not support a large surplus of medical services. Roz Dean replied that the shortage of beds is forthcoming and would be a future issue, since people don't build a hospital solely to serve current needs.

Bob Brownstein suggested that maybe there is a medical service that is somewhere in between urgent care and a small hospital, something that serves as more than just a clinic. Dr. Henry Zaretsky said that sort of medical configuration does not really exist, stating that the urgent care clinic can serve the outpatient needs, but not specialty ones. Potentially the County could supply specialty services that visit occasionally, though there currently they do not have the resources to do so. A multi-specialty medical group would be the supplemental service to primary care, etc.

Bob Brownstein proposed building a facility that could have growth potential, while serving the current needs of the community and growing overtime. Dr. Henry Zaretsky asserted that this is where the land banking would be the viable alternative that could best serve that potential, though that requires planning, capitol, and consent of the owner. The feasibility of all those combined would be in question. Dennis Hickey saw chronology as the major issue, though sometime HCA might accept the existence of a hospital at or near the site in the future. Creative land banking would definitely be necessary.

Roz Dean asked if the scenarios presented by Dr. Zaretsky are the current or future needs of the community. Dr. Henry Zaretsky replied that there are future needs that should start to be addressed now. Gary Schoennauer stated the bed shortage does not need to be addressed now, especially since RMCSJ has expansion plans that may address bed shortage in the future. Dr. Henry Zaretsky agreed that this expansion may address the bed

shortage with a possible 300 bed tower in the future to replace the current 180 bed. In the near term 66 beds are to come online including ten in the Intensive Care Unit (ICU). Gary Schoennauer said O'Connor has surplus beds with economics the driving force on whether more beds come forth and are available to consumers. Dr. Henry Zaretsky concurred that O'Connor does have a surplus. Gary Schoennauer doubted the feasibility of a downtown hospital if there is not going to be an actual bed shortage. Kip Harkness stated the need for data on the RMCSJ facilities expansion plan and the specifics of the O'Connor surplus situation.

Bob Brownstein brought up the issue of actual available beds in terms of meeting healthcare need, especially with fast growing masses of the uninsured, with no government relief in sight. Roz Dean wanted to see RMCSJ expansion plan figures in writing delineating phasing and size of expansion. She was skeptical if this information was presented in initial expansion plans before City Council. Dr. Henry Zaretsky clarified that 300 beds replaces 180 existing in the seismic upgrade, a possible 120 bed increase.

Gary Schoennauer pointed out that Dr. Zaretsky's analysis stated that SJMC only had 1/3 of people from downtown in its patient reach. He advocated that a greater market needs to be considered as well as the roles of the other hospitals in the area such as Good Samaritan and Kaiser, etc. The Committee needed to realistically start looking at a place to land bank. He stated that SJMC site is not an ideal site to build a new hospital site, since the site is not the center of the market area and the size of the parcel is too small and constrained for the construction of a modern hospital. Other sites should be considered where higher population growth is set to occur. Future bed projections are critical as well as emergency room availability as they treat Medi-Cal patients no matter the circumstance.

Dennis Hickey disagreed with Gary Schoennauer's assessment, since the SJMC site is a center of population and would effectively serve the community during a catastrophic event. George Chavez asked whether or not there are there any investors that had stepped forward with a proposal for a hospital use. Kip Harkness replied that the City has received no interest in the site for a hospital use.

Les Levitt asked why the path to the multi-specialty facility is so risky. He has seen other markets such as Mountain View where construction of this type of facility is everywhere. Dr. Henry Zaretsky reasons that Mountain View is more affluent, and the area surrounding the SJMC does not have the demographics to establish one of these facilities. These facilities require money from investors and a consumer base of high paying patients within proximity to any potential site. Les Levitt said he would submit an article saying the future healthcare could be distributed amongst various facilities, maybe spur a health care district.

Roz Dean understood there was a hospital that did not make a response to the RFQ due to the negativity surrounding the site. The Heart Institute did not move forward with the application due to HCA intransigence and the perception that heart hospitals merely cherry pick for profits.

Reymundo Espinoza of Gardner Health CEO, 1971 presented an eight minute DVD describing the mission of his company and their successes in Santa Clara Valley. After the visual presentation, he described his organizations plans for providing healthcare in Santa Clara Valley. According to Mr. Espinoza, Gardner serves everybody though they specialize as low income healthcare providers offering comprehensive services (including vision and dental) to about 50,000 patients annually of whom 16,000 are uninsured.

Dennis Hickey asked how Gardner remains financially viable while supplying this underserved population with quality healthcare. Espinoza explains that 60% of patients are Medi-Cal or Medicare recipients while just one percent of patients have private insurance, so private grants and funding from various sources, such as government programs, contribute the rest. Gardner must stay nimble, finding flexible funding sources, lobbying in Sacramento and DC, and continuously searching for grants. As an organization, Gardner faces constant struggles for money on a daily basis finding new revenue streams and finding new ways to cut cost such as purchasing the facilities they occupy so they have bankable assets.

According to Reymundo Espinoza, Gardner recently had to severely cut services to several recipients. Roz Dean asked what caused this funding loss and discontinuation of services. Espinoza said that a Medicare waiver program ended which had allowed full medical service for \$3 co-pay ended in December 2006. Thus the service pool of 6,000 seniors was cut to 1,000 since services provided as a sliding scale to those who could pay.

Roz Dean wanted to know if Gardner had indeed applied to the City's RFQ. Espinoza responded that yes, his organization had in fact done so. He cited a United Way statistic that identified a population of 400,000 in the county in need of their services. Dr. Henry Zaretsky affirmed that Gardner is a FQH. Espinoza said they are a Federally Qualified Healthcare provider, allowing Gardner to receive enhanced reimbursement from Medicare enabling them to serve a greater population than a normal physician's practice could. The FQH designation distinguishes Gardner from other healthcare providers.

Armin Sanchez, board member of Gardner, an emeritus health policy professor at SJSU, and has worked with the federal government at the National Institute of Health (NIH), voiced his support of Gardner as well as describe some of their recent accomplishments. He stated that Gardner now has five clinics throughout the county, with the newest opening in Gilroy, a downtown clinic at capacity, Alviso, eastside, and two others in the city. They have maintained lower costs helped by the fact they own all their buildings. Their small and lean administration as well keeps the company in the black. The need to serve unsponsored patients is growing daily. He views it as fortunate that Gardner can reap the needed grants to continue to operate. Espinoza asserted the local funding the organization receives is essential for their livelihood.

George Chavez asked Reymundo Espinoza what Gardner's plans are for relocation in the near term. Espinoza described their hopes to relocate St James Health Center at Julian

and 2nd, which is a full service three story health center in need of expansion. He reiterated the fact they would like to open a new clinic nearby to serve local residents and continued to be open to options. Les Levitt expressed his thanks for the continued interest and patience, and hopefully the Committee can help them find a solution to their needs to relocate. Kip Harkness stated that the City continues to converse with potential healthcare providers with a definite focus on Gardner Health Services

C. Land Use Discussion

Refer to presentation of “Initial Land Use Concepts Summary” including the re-use of existing buildings and the pros and cons of land use concepts.

Terry Bottomley presented eight alternatives with the possible alternative off site for hospital, concept 4a, as the first. He brought this one up initially to start seeking consensus that could be incorporated into the final plan. Back to concept 1, Dennis Hickey asked if putting a possible community college campus under this General Plan (GP) designation would require eminent domain be required to pull the property away from HCA?

Terry Bottomley stated that the presentation merely recommends GP designations, and is purely policy. The public quasi-public designation does not explicitly state the City would purchase the site for land banking. Bob Brownstein requested that Terry Bottomley clarify the vision of what would be achieved through this designation with some possible goals.

Terry Bottomley applied this to pro and con to concept 5. He does not have an actual grasp on actual land acquisition cost to the City

Gary Schoennauer asserted that land use impacts aside, the feasibility of constructing a modern hospital facility at the site is non-existent as it would be a difficult fit on 10-acres. He also observed the parking structure may have heavy impacts on the surrounding neighborhoods.

Terry Bottomley asked the Committee to consider how long the property could or should sit while land banked. The cost for land acquisition might be prohibitively high for the City.

Bob Brownstein asked how would the new high intensity hospital land use not be compatible with the surrounding neighborhood and would it be more dramatic than the existing hospital. Dr. Henry Zaretsky remarked a smaller hospital may have less impacts. Paula Velsey disagreed that the idea of a high intensity hospital land use would be a potentially negative impact on the neighborhood. Mixed use can be a positive when thoughtfully implemented with gap in the commercial frontages caused by a hospital or medical use as not necessarily detrimental to the surrounding neighborhood business district.

Gary Schoennauer commented that he believes that the City and community would like to see East Santa Clara Street improve and noted that SJMC did have a blighting effect, not necessarily existing as a benefit to the neighborhood's health and vitality. Given that a hospital on ten-acres is unlikely, the Committee should explore what would be the land use best suited for the site.

D. Adoption of Decision Making Process

Kip Harkness moved the discussion to adopting a decision making process. Refer to the draft decision making possibilities from January meeting. Bob Brownstein presented his proposal to adjust the decision making process. Refer to the Brownstein proposal.

Bob Brownstein explained that though the three interest groups within the Committee should gain as much agreement as possible, one of those interest group would be essentially one member (property owner). To him it does not make sense for one party to have too much veto power. He suggested that the Committee modify this configuration, while still maintaining three levels of recommendation and three interest groups. Under the scenario where two of the other interest groups take a position that's away from the property owner he recommends that the Committee have a community support recommendation.

Nancy Hickey agreed that a single member veto power subgroup does not make sense and voiced his support of the Brownstein proposal to resolve this issue. Paula Velsey added further support to Brownstein proposal. Chavez questioned if this proposal would apply to the other two subgroups if the scenario were similar. Bob Brownstein did not see that possibility as an issue, since the other groups have to compromise within themselves since they are all multimember groups. Dennis Hickey indicated that this proposal maintains the advisory role of the Committee while pushing the political battle to City Council, which furthered his support for the Brownstein proposal.

Roz Dean advocated for four interest groups instead of three that includes the neighborhood, business, healthcare, and property owner categories to give distinction between the designated primary interest groups. Dennis Hickey mentioned that hard and fast differentiations are hard to create. Kip Harkness stated that Committee purpose was to try and incorporate these interests into consensus.

The Committee generally agreed with the suggested made by Roz Dean.

Dennis Hickey was still unclear on how to differentiate between these groups. Roz Dean stated that Committee members were there representing distinct interest groups, not themselves as individuals. Bob Brownstein voiced his concern with Roz Dean's plan arguing he did not want to end up with another veto unit in the process.

Kip Harkness asked the Committee members to identify themselves by their Primary Interest Groups based on Roz Dean's plan of four distinct interest groups at the table.

Gary Schoennauer:	Property Owner representation
Dennis Hickey:	Business
Paula Velsey:	Neighborhood
Patti Phillips:	Neighborhood
Nancy Hickey:	Neighborhood
Julia Ostrowski:	Neighborhood
Roz Dean:	Healthcare
George Chavez:	Business
Bob Brownstein:	Healthcare
Les Levitt:	Neighborhood

Kip Harkness then opened discussion on Bob Brownstein's proposal. Julia Ostrowski brought up the point of whether or not consensus represented a possibility or could a simple majority vote just be the recommendation of the Committee. Kip Harkness replied that a majority recommendation could be a common, but to add his opinion as the groups facilitator, the most effective and positive change would be achieved through framework that is built through consensus, especially due to the advisory nature of Committee. The implementation of the Committee's recommendations would be more likely since consensus has more credibility than a simple majority vote.

Roz Dean agreed that the Committee should heed this advice repeating that consensus is the most effective way to do that. Julia Ostrowski restated that she saw that consensus would be less than likely due to the composition of the Committee. Dennis Hickey supported Kip Harkness's statement despite the potential difficulty of actually achieving consensus. He mentioned including vetoes as an option along with a strong recommendation could be included in the Committee report. Roz Dean raised the possibility of including a minority report possible as well.

The discussion was followed by a vote of all green placards on the Bob Brownstein proposal. Kip Harkness said a final recommendation on this procedure will be made at a later meeting.

Gary Schoennauer announced that a HCA healthcare consultant has prepared an information packet of data and that it should be considered by the Committee as relevant to the possibilities of the site with or without a hospital. Packet was handed out as the meeting concluded.

E. Logistics Housekeeping

The next meeting will be May 2nd at the MLK Jr. Library.

Meeting Adjourned at 8:25PM.